



## DEFENSE FINANCE AND ACCOUNTING SERVICE

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JAN 2 1997

DFAS-HQ/F

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
- CLEVELAND CENTER  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
- DENVER CENTER  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
- INDIANAPOLIS CENTER  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE  
- KANSAS CITY CENTER

SUBJECT: Department of Defense Financial Management Regulation,  
Volume 7, Part A (DoDFMR, Vol 7A), Taxation of  
Government Provided Home-To-Work Transportation and  
Parking Fringe Benefits (DFAS Item F-85)

The is Interim Change Number 2-97 to the DoDFMR, Vol 7A.  
We have evaluated your comments on the draft change to the DoDFMR  
Vol 7A which incorporates the policy for taxation of Government  
employer provided home-to-work transportation and parking fringe  
benefit for military members. The attached final version of the  
change includes your comments, where appropriate.

We have determined this regulatory change is to be  
implemented under the auspices of DFAS Regulation 7920.3-R. The  
DJMS PMO will ensure the necessary systems changes are scheduled  
for implementation consistent with all known requirements.  
Centers are advised to make DFAS Headquarters (FM) an information  
addressee on implementing field procedures. For the Denver  
Center, use the attached to initiate the formal printed change to  
the DoDFMR, Vol 7A.

Our point of contact, Ms. Ann Cook, may be contacted at  
(703) 607-5059 or DSN 327-5059. Our FAX number is (703) 602-5271  
or DSN 332-5271.

Roger W. Searce  
Brigadier General, USA  
Deputy Director for Finance

Attachment:  
As Stated

cc: DGC (F)  
DASD (MPP) (COMP)  
Service Liaisons

1. Add the following sentence to the end of paragraph 440101:

"The taxable value of certain noncash fringe benefits, in excess of statutory limitations, that is provided to some members, are subject to Federal and applicable State income taxes (see Table 44-1, rules 18 and 19)."

2. Add a new rule 18 to Table 44-1 to read:

In Column A:

"employer provided home-to-work transportation"

In Column B:

"even if transportation is provided for security reasons (note 15) "

3. Add new rule 19 to Table 44-1 to read:

In column A: "employer-provided parking"

In column B: "to the extent that the value exceeds the monthly exclusion limit (note 15) "

In column D: "to the extent that the value is equal to or less than the monthly exclusion limit"

4. Add new note 15 to Table 44-1 to read:

"15.

a. Per DoD 4500.36R, USD(C) and USD(P&R) will jointly issue updated annual guidance concerning the valuation, on a monthly basis, of taxable Government employer-provided home-to-work transportation fringe benefits provided to certain military members. Armed Forces Tax Council Service Representatives will distribute the annually updated guidance to the Services.

b. Each DoD component will determine the value, to be calculated on a monthly basis, of Government employer-provided taxable parking fringe benefits provided to military members. The monthly exclusion amount for 1996 is \$165.

c. Determination must be accomplished utilizing the provisions of the Internal Revenue Code and Treasury regulations and documented accordingly. Each member's Service: (1) will identify members receiving Government employer-provided home-to-work transportation and/or parking fringe benefits, certify that the fringe benefits were authorized, calculate and certify the value of the taxable fringe benefits, and submit the

appropriate taxable gross income amounts to the servicing DFAS central site no less often than annually. Exception: When members receive taxable fringe benefits from active duty assignments outside their DoD Component, the agency providing the taxable fringe benefit (such as parking), calculates the value of the benefit provided, and the member's Service verifies the correctness of the calculations. (2) Should keep members receiving such benefits advised of the tax liability accruing to them annually.

d. Members' certified taxable fringe benefit amounts must be sent to the servicing DFAS central site no less often than annually and not later than Dec 15, each year, for processing to: (1) Include the taxable non-cash benefit amounts in members' gross income. (2) Withhold and deduct appropriate Federal and State income taxes (not FICA taxes). (3) Generate TD Forms W-2 that reflect the adjusted gross income and withholdings. Service field finance offices are not authorized to process taxable fringe benefits as additional taxable wages, to withhold applicable taxes, or to generate manual TD Forms W-2."

5. Revise the bibliography references to read:

Paragraph	Citation
"440101	Treas. Reg. 1.162-1 (b) (5) and 1.262-2(e) IRS Notice 94-3
Rule 18	Treas. Reg. 1.162-1 (b) (5) and 1.262-2 (e) IRS Notice 94-3 10 U.S.C. 2637
Note 14	Armed Forces Tax Council Memo, Jul 24, 1996 ASD(ES)I Memo, 3 Oct 1994" ASD(ES) I Memo, Oct 3, 1994